Penn State Federal
That's my Credit Union

149

February 27, 2009

The Honorable Michael E. Fryzel
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

The Honorable Rodney E. Hood
Vice Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

The Honorable Gigi Hyland
Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Chairman Fryzel, Vice Chairman Hood and Board Member Hyland,

Thank you for the opportunity to provide comment on the NCUA's advance notice of proposed rulemaking and request for comment concerning the role of the Corporate Credit Union Network and its structure.

Corporate credit unions provide essential services to natural person credit unions. This is especially true for small to mid-size credit unions. The corporates provide affordable payment services, access to investments and liquidity, all of which allow natural person credit unions to compete.

Penn State Federal Credit Union uses Mid-Atlantic Corporate Federal Credit Union for many services: share draft processing, ACH processing, wires, investments and liquidity to name a few. In addition, Penn State Federal Credit Union uses electronic bill payment

1937 North Atherton Street
State College, PA 16803
P. (814) 865-7728
P. (800) 828-4636
F. (814) 863-6183
www.PennStateFederal.com

through My CU Services, Mid-Atlantic's CUSO. Although these services are available elsewhere, the expense would be far greater.

The corporates have been referred to as a network or system, they are in fact each an individual, democratically controlled cooperative financial institution. Each corporate has a risk tolerance that affects their business plan, investment philosophy and vision. Field of membership changes will not affect risk tolerance.

Corporate capital structure should be risk based and in line with BASEL standards. NCUA should mandate that any service offered by a corporate should necessitate the holding of some type of capital with that corporate.

Corporate credit unions' investment powers should be greater than that of natural person credit unions. Proper infrastructure must be in place to support the amount of risk. The regulation should clearly define what investments are permissible, risk analysis parameters, and monitoring methods. Concentration risk must be addressed by regulation or policy. Both management and the regulatory agency should have a clear understanding of each investment in order to monitor and measure the risk.

Corporate board structure should not be changed. Unpaid, democratically elected boards are part of the foundation of credit unions. All seats should be open to any member credit union's senior management or volunteers. Term limits should not be mandated as it is to the corporate's benefit to have experienced and educated board members. There <u>should not</u> be an outside director category.

In summary for corporate credit unions or any other business, it is about the identification, management and monitoring of risk. While the temptation at this time is to blame, punish and make sure this never happens again, care should be taken not to fix what is not broken. Each corporate is an individual financial institution with its own business plan and operating environment. Each corporate had and has its own risk tolerance and is answerable to its membership. Not all risk can be eliminated by regulation. There will always be a black swan.

Thank you again for the opportunity to provide comment.

Sincerely,

Constance M Wheeler

Constance M. Wheeler
CEO
Penn State Federal Credit Union